

MONTHLY PROJECTIONS

September 1991

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HOW MUCH MORE CAN THE FED DO?

All the factors that normally rise during an economic recovery are rising. Housing starts reached bottom in January and are up more than twenty percent from those lows. Residential construction spending will be a substantial contributor to GNP during the summer and, probably the fall. Consumer durables are rebounding. Although consumer durable expenditures fell in the spring, they are up by double digits during the summer. Auto unit sales have been growing at double digit rates for two consecutive quarters and also should grow significantly in the fall. (Because auto fleets accounted for much of the gain in summer sales, consumer spending on autos actually fell in the summer, but should rebound in the fall.) The dollar's strength has been stalled, and a meaningful decline in the dollar's value may develop. This should re-ignite export activity, which showed little change during the past three months. In short, the interest sensitive parts of the economy are responding to the decline in interest rates. However, their response is halting and muted.

Certainly, the trade sector has been adversely impacted by the dollar's strength earlier this year. Despite falling short-term interest rates, the dollar rallied because a recessionary shrinking of the trade deficit coincided with the pledge payments from abroad for the Persian Gulf Conflict. A temporary shortage of dollars was created that blunted the normal exchange impact from falling short-term rates and the subsequent rebound in competitiveness and export activity. Now that the pledge payments are nearly completed and the rebound domestically will widen the trade gap, the dollar should again show weakness. This, in turn, should increase the demand for American goods, if the remainder of the world does not slide into recession. (The Asian economies are slowing, but many of the European economies are improving. Also, some Latin countries, such as Mexico, Chile, and Brazil show growth prospects.) This channel through which reduced interest rates leads to increased activity has been delayed by the temporary dollar shortage, but should now become important.

However, the other interest sensitive parts of the economy are responding more lethargically than in past recoveries. Apartment activity has been slow to respond to lower financing costs because the sources of financing for many builders has been curtailed by the FIRREA restraints upon thrift lending to large borrowers. Many of these builders have not been able to persuade commercial banks that they are good customers. Thus, apartment activity reached an historic low in April. Opening up financing sources is more important than providing lower costs of financing for the apartment builders. The single family home market has been appropriately strong for first time buyers as lower interest rates improve loan qualification prospects. However, uncertainty about housing values has reduced the financing available on previously built homes. Many owners are unwilling to sell at the values for which banks are willing to appraise the properties for financing purposes. As a result, the move up market is languishing. Only the relo and high income properties are able to overcome this sluggishness. Again, lower interest rates are not, by themselves, able to resolve these problems.

Of course, the heavy debt load of households along with the fear of unemployment are combining to restrain consumer purchases of big-ticket items. More than 800,000 households will declare bankruptcy this year. That alone will restrain lenders from adding to lines of credit. Also, the decline in housing values is reducing the ability to tap home equity to finance large purchases, although many car buyers clearly are using their home equity lines instead of consumer installment debt to purchase their vehicles. Moreover, the slow rebound in total housing sales (typically three previously owned homes are sold for every new single family home) has slowed the rebound in furniture and furnishings.

Finally, inventory investments, which also are interest sensitive, continue to be restrained by uncertain sales prospects and the restraint upon bank credit lines that smaller companies face. Although most banks declare that a "credit crunch" does not exist, they also admit that their lending standards have been raised. Also, prices remain weak for most commodities. Therefore, the storage costs of inventories remain high despite the reduction in finance charges. As the warehouses empty and some of these commodity prices increase, inventory investment will become more responsive to lower finance charges.

Of course, capital expenditures are more sensitive to sales anticipations than to interest rates. Actually, orders remain reasonably robust. The decline in orders last month is natural following unusually strong orders the month before. Indeed, capital spending normally falls early in a recovery as corporations try to improve their balance sheets. Therefore, the modest gains recorded this year may reflect a positive response to falling interest rates. Even so, capital spending will be subdued until sales anticipations significantly improve.

All of this suggests that further declines in interest rates, while helpful, will not provide significant gains in economic activity. In short, the heavy debt loads, changes in financial channels, lending reluctance by commercial banks, and uncertainty about future activity are reducing the responsiveness of economic activity to interest changes alone.

The Administration, therefore, is correct in worrying about the efficiency of the financial channels. With the demise of more than a third of the thrifts and with the aggregate ratio of assets to capital at 5.74 percent for banks with more than \$10 billion in assets, the ability of the financial system to respond to increased injections of Federal Reserve liabilities is limited. Indeed, current trends suggest that the monetary base as measured by the Federal Reserve bank of St. Louis will grow 7.8% during the fall while M2 will be up less than 2 percent. The monetary base has grown more rapidly than other monetary aggregates throughout the past year. An inability to convert these Federal Reserve injections into loans, which have decline 8% in the past twelve months, is responsible for such weak money response.

However, the steps taken by the Administration are very minute. Changing the appraisal of real estate for loan purposes to a cash flow as opposed to a market value method will add some loans, but at the expense of increased real estate risk. Removing limitations on preferred stock to be included in a bank's capital base will raise the capacity to support assets and indirectly encourage lending, but only a few large banks are

impacted. Providing a streamlined appeal process for banks challenging audited recommendations only means anything if the field auditors are using different criteria from those above. Will the Administration request that the criteria be changed by the reviewers? Isn't this what created many of the problems with the thrifts? In other words, the changes are small or ill-advised.

Of course, banks need more capital. Only with additional capital can they begin to grow the asset base, thereby increasing loans. Wide interest rate spreads have helped, but they have accelerated the decay of market share in the banking industry. Moreover, the gains in operating earnings will take time to overcome the reduced capital caused by bad loans. Something that reduces the cost of banking could simultaneously add to capital without further impairing market share. (For those who say that banks merely are proving their inefficiency to allocate capital as their shares fall, they must recognize that efficient lending exists only in a finance classroom. Large customers, many of whom are using their previous successes as embodied in their balance sheets, have many alternative sources of financing. However, rapidly growing companies with large debts relative to revenues may not get financing, although their new projects provide much larger returns than those financed by the giants. In other words, the past receives better financial terms than the future. Only mortgage bankers, or enlightened bankers who take risks for community gains, Gianinni comes to mind, have provided the difference. When bank capital is scarce, enlightened bankers are especially scarce.)

The removal of reserve requirements on CD's was one of those cost reduction measures that should have been pursued more aggressively. A reserve requirement reduction probably would do more than any discount rate cut to rebuild bank capital without further eroding their market share. Of course, corporate leaders prefer interest rate reductions, because that lowers their current operating costs. Eventually, the improved profits will stimulate expansion and new hiring, but the process is slow and uncertain. This alternative of reducing the costs of operating banks will provide new lending along with probable further declines in interest rates. Allowing banks to hold interest bearing treasury bills in their reserves at the Federal Reserve also would accomplish the reduced banking cost method of stimulating additional lending, but without the immediate need to use the excess reserves that a reserve requirement cut would generate.

Unfortunately, the current roll-off of CD's is adding to banking's woes. Because of the sharp reduction in yields, investors are withdrawing such time deposits in record numbers to seek higher gains elsewhere. Thus, deposits continue to shrink, leading to further restraints on bank activity. (Much of this CD drain has been going to money market accounts, which are a half-way house before they probably are recycled into bond funds.) Given these constraints and inefficiencies in the banking system, Federal Reserve action other than those that reduce the cost of banking will have limited effect upon the economic recovery. —Pushing on a string was invented to explain the ineffectiveness of monetary policy when sales expectations are especially dismal. However, this recovery suggests that it also should be used to describe the effectiveness of monetary policy when the banking system is restrained by capital shortages.

Monthly Statistical Highlights

	<u>Sept 1991</u>	<u>October 1991</u>	<u>Nov 1991</u>
Payroll Employment		66,000	89,000
Index of Hours Worked		-0.1%	0.1%
Household Employment		-217,000	154,000
Civilian Unemployment Rate		6.9%	6.9%
Personal Income	0.4%	0.4%	0.4%
Savings Rate	4.0%	4.0%	4.0%
Personal Consumption	0.4%	0.4%	0.5%
Retail Sales		0.2%	0.4%
Auto Sales		8.7*	8.9*
Housing Starts	0.9%	1.8%	2.0%
Housing Permits	4.3%	-2.1%	2.9%
Construction Expenditures	-0.8%	0.1%	0.6%
Business Inventories	-0.1%	0.1%	0.1%
Orders for Durable Goods	0.4%	0.5%	0.5%
Orders - Nondefense Capital Goods	1.2%	2.0%	-4.1%
Industrial Production	0.3%	0.5%	0.5%
CPI	0.2%	0.3%	0.2%
PPI		0.1%	0.2%
Consumption Deflator	0.3%	0.2%	0.3%
Leading Indicators	0.4%	-0.5%	0.1%
Currency Index		-2.4%	-2.8%
Equity Index		-0.1%	0.3%
Real GNP (annual rate)	1.2%	4.8%	2.9%
M1 (annual rate)		9.4%	2.4%
M2 (annual rate)		1.0%	2.0%

* auto sales in millions

COMMENTARY

EMPLOYMENT-Payroll employment rose an anemic 24,000 in September while manufacturing jobs actually contracted. However, this is not the end of the recovery. State and local governments reduced their employment by 35,000 but retail and service jobs grew more than 70,000. Thus, the sluggish service sector is beginning to stir. Also, hours worked in the private economy rose 0.5%. For the quarter, hours rose 1.1%, strongly suggesting positive growth for the summer. Initial claims have begun to rise, however. In recent weeks, claims have average more than 420,000. This still is enough to raise payrolls, but only by about 50,000 per month. The discrepancy between payrolls and household employment was partially erased by a surge in household employment during September. This caused the unemployment rate to dip. A half-million discrepancy in employment by the two measures still exists, but downward revisions in payrolls probably will not be large when the new benchmark estimates are made early next year.

Hourly earnings grew only 0.2% in September and are only 3.2% above previous year levels. The diffusion index fell marginally below 50% because of the weakness in manufacturing, but much of the manufacturing decline probably results from faulty seasonals that overstated the manufacturing gain in August. Certainly, no strengthening of the employment markets is obvious, but modest gains appear to continue.

PERSONAL INCOME AND OUTLAYS-Some estimates of low GNP growth during the summer are based upon the apparent sluggishness in personal income. Assuming moderate gains in September, personal income only grew 3.3% annually during the third quarter. The slowing was mostly in the property income and farm income areas, as earnings in wages and salaries grew about the same during the summer as the spring. Surprisingly, taxes have fallen even more sharply, causing disposable income to nearly maintain gains of the spring. Clearly, such sluggish gains in tax collections relative to personal income cannot persist. Even with the reduced tax burden, savings have fallen sharply during the quarter because of the rebound in durable expenditures. Savings are projected to drift upward for the next year.

Following heavy utility consumption in the spring with an early summer, service expenditures grew sluggishly during the summer. More normal activity is expected in the fall. Clothing, food, and gasoline sales have become sluggish, causing little growth in nondurable expenditures. These are basic staples whose weakness reflects the cautious consumer activity. A discrepancy between consumer expenditures for durable goods and retail auto sales is difficult to understand. However, the discrepancy between auto unit sales and retail auto dollars reflects the acceleration of fleet acquisitions following a sluggish winter and spring for the rental companies.

CONSTRUCTION-Although housing starts continued to inch upward in August, sales of previously owned homes continued to weaken. Also, building permits were down sharply. If mortgage rates had not continued to fall below 9%, housing may have faltered in recent weeks. The large percentage gains projected for apartments merely reflects the magnitude of weakness that currently prevails there.

The rebound in housing starts is beginning to be reflected in strong gains for residential expenditures. Public construction also spurted during the summer following sluggish spring gains. More modest public activity is expected in the next year as state and local governments struggle to overcome their budget woes. However, nonresidential activity fell more sharply during the summer. Financing was absent for hotels, and commercial building. Few desired to build industrial activity. Orders have begun to stabilize after falling nearly 18% during the past year. Traditionally, however, activity takes 10-12 months to respond to orders.

The construction deflator has rebounded because of increases in materials prices, especially lumber. However, prices probably fully reflect the supply implications associated with that problem. Therefore, some moderation in construction inflation should be expected.

BUSINESS ACTIVITY-The August decline in durable goods orders was no surprise. Indeed, orders are up 40% for the quarter according to the latest projections. For **nondurable capital goods**, the orders are up a sharp 73%. Some moderation is expected in the fall. Furthermore, this may lead to a continuation of sluggish shipments of capital goods through the fall. Some improvement then is expected during the winter. Defense shipments also are expected to struggle in the fall. But growth next year also should be modest for defense, where the backlog has been falling irregularly for more than a year.

Manufacturing inventories are being liquidated at the same rate during the summer as in the spring. Indeed, with a smaller inventory valuation, liquidations may be larger after inflation adjustment. Most of the recent liquidations are in **goods in process**, suggesting some problems for sustaining manufacturing activity. Finished goods at the manufacturing level actually rose in August. Also, total business inventories are not being liquidated as much as in the spring. Therefore, inventories will be liquidated during the summer, but by less than during the spring. Thus, GNP will benefit from strong gains in consumer durables and residential construction. Inventory liquidations will be less, but this will be offset by a deeper trade deficit. Government continues to contract and the non-auto components of producers' durables are declining. On balance, however, and economic expansion is continuing to develop.

Industrial production is up sharply during the summer and will continue to grow strongly in the fall. This has increased capacity utilization, but not to any worrisome levels. Indeed, additional capital spending is not expected at these relatively low levels of utilization.

PRICES-Inflation certainly is not intensifying at this time. Although prices of consumer durables have intensified as auto dealers provided less year-end incentives than normal, prices of nondurables weakened. Falling food and energy prices accounted for most of the weakness, but other nondurables also showed price restraint. The moderation in service inflation is large housing service related, but some moderation in wage inflation also adds to restraint there. Prices during the summer quarter appear to be an aberration. Stronger price gains are expected for nondurables in the quarters ahead. Also, auto dealers are now rebating new model cars, which means smaller price increases for the new cars than normal. Another quarter of restraint in prices for housing services is expected. Even so, inflation should gradually intensify from these relatively modest gains during the summer.

Our projected gains in the PPI are based upon a formula that may be generating estimates that are too high. Stronger economic gains than projected probably are needed to create 4% gains in commodity inflation next summer. To that extent, the CPI may be showing too much inflation. Even so, moderation is apparent during the next twelve months. Certainly, even with large gains in construction prices, the GNP deflator will continue to be modest during the next twelve months.

MISCELLANEOUS-Although the **merchandise trade balances** appear to be deteriorating sharply, only a modest slowing in export growth and some rebound in import activity account for those large percentage changes during the summer. Further deterioration is likely in the early months of inventory rebuilding, but the dollar's projected weakness during the fall should restore competitiveness to American goods. The only question about the dollar is how much and how long it will fall. By next summer, our trade balances should again be improving in the absence of weakness abroad. In the meantime, the trade sector is adding little to economic activity.

The leading indicators continue to rise rapidly during the summer, but last month's unchanged performance should be followed by several choppy months. This could give the impression of a stalled recovery. Modest gains, however, are projected from our formula, and I see no reason to differ with that assessment.

The growth in estimated GNP during the summer implies unusually strong gains in indirect taxes, depreciation, statistical discrepancy, or corporate earnings. No evidence of a surge in earnings is apparent. Nevertheless, reasonable assessments of hours worked and productivity gains suggest that GNP grew moderately during the summer. As inventories begin rebuilding, strong GNP gains are likely during the fall. However, little follow-through is likely following the inventory adjustment until the trade sector again improves next spring.

Adjusted profits are not growing sharply because of the increased tax liability that always develops when inventory prices begin rising. Also, corporate taxes were surprisingly low in the spring and should rebound this summer. However, profits should grow more strongly later in the year.

FINANCIAL MARKETS

More sluggish economic activity than expected has led to lower inflation than previously projected. This, in turn, has reduced the inflation premium for long-term bonds. Coupled with an unusually steep yield curve, investors have aggressively sought the higher yields of long-term instruments. Assuming real rates are 4% and using the projected GNP deflator as a measure of inflation premium, the long-term government bond should average slightly above 7.5%. However, inflation should rise later next year, leading to some inflationary fear and a higher inflation premium. Thus, interest rates will average near 7.75% for several months before gradually drifting upward in the spring.

The household sector has slowly increased savings and slowing increased mortgage activity. During the summer, savings fell, however, causing upward pressures on interest rates. Downward pressures should reappear during the fall and winter and remain well into next year. However, the household sector is hardly changing behavior, leading to little influence on credit market pressures.

Government borrowings are beginning to recede as state and local governments try to balance their accounts through higher taxes and reduced spending. Falling defense spending should help contain the government deficits for the federal government. Of course, the savings and loan bailout will require another \$80 billion of borrowing this year, but that is a portfolio shift as assets are brought into the public sector. While the official deficit is larger than \$330 billion and has not declined, the national income accounts deficit is less than \$180 billion and is marginally falling. Further modest declines in the n-i-a deficit are expected. Thus, the government sector is probably reducing its pressures upon credit markets, if only slightly.

At this time, the corporate sector is dictating the changes in credit market pressures. With inventory liquidations only slowly abating and cash flow improving significantly as sales improve, downward interest rate pressures persist. Moreover, the inventory financing is on the short end of the market, leading to greater weakness in short-term rates than long-term rates. These liquidations are expected to end in the fall, although no evidence of this is yet apparent. Modest inventory accumulation is expected by Christmas, but cash flow should improve to finance the inventory investment. Only early next year will any upward pressure on interest rates develop. Interest rate pressures then will gradually build during the year, although government restraint and household savings could intensify and cancel out these gains.

Foreign investors will be less attracted to dollar assets as the dollar weakens. On the other hand, early phases of a recovery offer higher than normal returns on direct investments. On balance, capital flows probably will diminish into the United States, causing some upward pressures on rates. Of course, a sharp enough decline in the dollar's value could cancel out those concerns and prevent serious capital outflows, but such an outcome is unlikely.

On balance, modest forces for further interest rate declines are prevailing through the fall. When inventory investment resumes, however, some gains in interest rate pressures are likely. Rising household savings and reduced government borrowing could offset these pressures, but they are not expected to be strong enough to do so. Therefore, interest rates will bottom either late this year or in February and then gradually rise. The upward drift in rates will become more intense later in 1992.

EQUITY MARKETS After a modest rise in August, equity markets have again stalled. Little gain is expected as long as earnings remain modest, as in the summer, but interest rates fall. These offsetting factors lead to equity price neutrality. A sharp weakening of the dollar during the fall will continue to nearly offset stronger gains in profits but continued declines in interest rates. Strong gains are likely in the spring, as profits rebound, the dollar stabilizes and interest rates remain unchanged. Then, rising interest rates will need to be offset by profit gains, which are expected through next summer. A 9% gain in equity values and a 12% total return on equity investments is projected for the next year.

Even with modestly promising equity conditions, institutions have exhausted most of their cash positions. Thus, infusions from new investors will be needed to preserve the rebound. Some infusion is likely, but it should not be large. Thus, a choppy market remains likely into the spring. The Dow then should break out of its current range and soar to nearly 3300 by next summer. A falloff next fall is likely but not yet certain at this time.

Because of the weak rebound, most cyclical stocks provide little change of price appreciation. Some metals, like the aluminums and copper producers may do better, but most cyclicals are fully priced. However, the multi-nationals should again take the lead as the dollar begins to weaken. This will increase the dollar value of their earnings abroad. Later, some of the capital goods industries, such as equipment makers, telecommunications producers, and computer makers should rebound. Most of the medical suppliers should continue to do well, but the bio-tech industries are very heavily priced and may stall. Financially sensitive stocks have some opportunities, but investors should withdrawal their positions by the latter half of next year. Similarly with the utilities.

Thus, further opportunities should develop in the equity markets, especially after this October, but the upturn will remain slow. Next spring probably will provide the largest gains in equity values since this spring.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj		Proj	AR%
April 1991	108736		120.0		117398		6.6		10.28	
May	108887	-1.2	121.2	-0.4	116591	0.3	6.9		10.32	4.7
June	108885		122.1		116884		7.0		10.37	
July	108859		120.7		116712		6.8		10.36	
August	108936	0.3	121.5	1.1	116416	-0.7	6.8		10.40	2.7
September	108960		122.1		117165		6.7		10.42	
October	109026 *		122.0 *		116948 *		6.9 #		10.45 *	
November	109115	0.7	122.1	2.3	117102	1.1	6.9		10.48	3.4
December	109194		122.3		117193		6.9		10.51	
January 1992	109287		122.4		117264		6.9		10.54	
February	109376	1.0	122.6	1.5	117316	0.8	7.0		10.57	3.5
March	109462		122.8		117384		7.0		10.60	
April	109542		123.0		117492		6.9		10.63	
May	109613	0.9	123.1	1.8	117585	0.9	6.9		10.67	3.8
June	109697		123.3		117691		6.9		10.71	
July	109768		123.5		117804		6.8		10.74	
August	109856	0.9	123.7	2.0	117893	1.0	6.8		10.77	3.9
September	109945		124.0		117965		6.8		10.81	
Chng Sep(92)/Sep(91)		0.9		1.6		0.7	0.8 #			3.7
Chng Sep(91)/Sep(90)		-1.0		-1.8		-0.6	0.5 #			2.7

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1991	4,756		2,750		165.3		4,040		3,872	
May	4,787	4.2	2,773	4.6	168.6	0.7	4,071	4.7	3,902	4.7
June	4,811		2,799		173.2		4,093		3,920	
July	4,804		2,791		145.7		4,090		3,945	
August	4,824	3.3	2,804	4.4	162.5	-23.0	4,110	4.2	3,948	5.6
September	4,845 *		2,818 *		166.8 *		4,130 *		3,963 *	
October	4,863		2,825		167.6		4,146		3,978	
November	4,881	4.9	2,837	4.8	164.8	22.4	4,162	5.3	3,998	4.6
December	4,903		2,851		167.2		4,182		4,015	
January 1992	4,926		2,861		175.2		4,202		4,026	
February	4,947	5.4	2,875	5.4	176.1	23.9	4,221	5.6	4,044	4.9
March	4,969		2,888		175.8		4,239		4,063	
April	4,991		2,902		179.2		4,259		4,079	
May	5,018	5.9	2,915	5.9	188.0	30.6	4,283	6.0	4,095	5.1
June	5,046		2,932		196.3		4,307		4,111	
July	5,072		2,945		199.8		4,331		4,131	
August	5,095	6.4	2,959	6.2	199.4	33.7	4,350	6.7	4,151	5.5
September	5,125		2,977		206.9		4,377		4,170	
Chng Sep(92)/Sep(91)		5.8		5.7		24.0		6.0		5.2
Chng Sep(91)/Sep(90)		3.1		2.8		13.2		3.6		3.3

PROJ includes current information until the * and then projections by month thereafter
 AR% is the annualized percentage change from the previous quarter.
 # is the percentage change in the labor force

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1991	3762.6		450.0		1212.3		2100.4		2669.0	
May	3793.0	5.0	448.9	-1.4	1228.0	3.0	2116.1	7.7	2680.6	2.5
June	3811.6		462.2		1224.5		2124.5		2691.9	
July	3836.6		473.8		1231.2		2131.6		2708.8	
August	3840.2	5.9	461.9	12.6	1232.7	3.5	2145.6	6.0	2702.9	3.9
September	3855.7 *		466.5 *		1232.9 *		2156.3 *		2706.4 *	
October	3871.3		468.4		1234.6		2168.2		2710.7	
November	3890.5	4.8	472.1	3.3	1237.4	1.7	2181.0	7.0	2717.5	1.6
December	3907.5		473.2		1240.0		2194.3		2721.9	
January 1992	3919.5		474.0		1239.6		2205.8		2722.2	
February	3937.4	5.0	477.5	5.2	1242.6	1.8	2217.3	6.8	2726.5	1.5
March	3956.1		480.1		1246.6		2229.4		2731.8	
April	3971.8		479.6		1249.3		2242.8		2733.4	
May	3986.8	5.1	480.9	3.5	1251.6	2.7	2254.3	6.9	2735.6	1.4
June	4003.0		483.4		1252.7		2266.9		2739.0	
July	4022.5		484.6		1258.8		2279.1		2742.7	
August	4041.9	5.6	485.9	4.6	1263.0	3.6	2293.0	6.9	2748.1	1.7
September	4060.5		489.9		1264.9		2305.8		2751.8	
Chng Sep(92)/Sep(91)		5.3		5.0		2.6		6.9		1.7
Chng Sep(91)/Sep(90)		3.6		-4.4		1.5		6.7		0.1

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1991	150.97		22.64		7.9		97.48		30.85	
May	152.71	5.4	22.77	8.0	8.4	11.9	98.64	2.8	31.31	12.0
June	152.64		22.65		9.0		98.43		31.56	
July	153.20		22.88		9.1		99.08		31.24	
August	152.23	2.1	22.69	2.0	8.4	13.3	99.04	3.6	30.50	-2.4
September	153.30		22.82		8.6		99.06		31.42	
October	153.67 *		22.89 *		8.7 *		99.20 *		31.58 *	
November	154.32	3.5	22.98	2.5	8.9	7.9	99.42	1.4	31.92	10.8
December	154.65		22.95		9.0		99.63		32.07	
January 1992	154.72		22.92		9.0		99.60		32.20	
February	155.36	3.0	23.11	2.4	9.1	10.9	99.84	1.8	32.41	7.2
March	155.99		23.20		9.2		100.16		32.63	
April	156.15		23.29		9.1		100.38		32.48	
May	156.48	3.0	23.25	3.9	9.2	4.5	100.56	2.7	32.67	3.2
June	156.86		23.36		9.3		100.65		32.85	
July	157.49		23.45		9.3		101.14		32.90	
August	157.98	4.0	23.56	4.4	9.3	7.4	101.48	3.6	32.94	4.8
September	158.59		23.65		9.5		101.63		33.31	
Chng Sep(92)/Sep(91)		3.5		3.6		10.5		2.6		6.0
Chng Sep(91)/Sep(90)		0.9		1.5		-14.8		1.4		-3.9

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CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1991	0.977		0.801		0.176		0.913	
May	0.983	41.3	0.831	73.9	0.152	-43.2	0.966	57.3
June	1.034		0.869		0.165		0.999	
July	1.059		0.887		0.172		1.005	
August	1.065	30.3	0.892	30.7	0.173	28.6	0.956	11.6
September	1.075 *		0.895 *		0.180 *		0.997 *	
October	1.094		0.907		0.187		0.976	
November	1.116	18.8	0.921	12.8	0.195	53.1	1.004	5.1
December	1.130		0.928		0.202		1.015	
January 1992	1.134		0.925		0.209		1.027	
February	1.159	15.0	0.938	8.7	0.221	48.8	1.043	17.5
March	1.166		0.951		0.215		1.048	
April	1.196		0.968		0.228		1.062	
May	1.214	20.4	0.980	16.3	0.234	39.5	1.069	12.1
June	1.213		0.974		0.239		1.077	
July	1.225		0.978		0.235		1.062	
August	1.238	11.9	0.993	5.4	0.238	10.7	1.069	0.0
September	1.263		0.990		0.246		1.077	
Chng Sep(92)/Sep(91)		17.5		10.6		36.7		8.0
Chng Sep(91)/Sep(90)		-2.8		4.3		-27.4		0.8

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Pr	AR%	Pr	AR%	Pr	AR%	Pr	AR%	Proj	AR%
April 1991	147.2		108.0		151.8		407.1		366.8	
May	136.4	-10.5	108.0	3.2	154.6	-4.3	399.0	-4.6	359.3	-5.4
June	132.6		107.3		158.3		398.2		357.3	
July	131.7		111.6		161.8		405.1		361.4	
August	128.6	-24.2	110.3	12.5	167.3	26.6	406.2	3.4	361.6	-0.9
September	128.0 *		111.1 *		163.9 *		403.0 *		357.9 *	
October	127.2		111.5		164.9		403.6		357.8	
November	126.5	-7.8	112.4	4.6	167.2	7.2	406.1	1.5	359.1	-1.1
December	126.8		112.9		169.5		409.2		361.2	
January 1992	126.9		112.2		171.2		410.3		361.2	
February	128.1	2.7	113.4	3.1	173.3	15.0	414.8	7.7	364.5	4.9
March	128.0		113.8		174.8		416.6		365.2	
April	128.4		114.2		177.6		420.2		367.3	
May	128.9	3.9	114.0	3.8	179.5	15.6	422.4	8.7	368.6	5.7
June	129.4		114.4		181.5		425.3		370.1	
July	130.0		114.9		183.0		427.9		371.4	
August	130.6	5.9	115.3	3.8	184.3	11.5	430.2	7.7	372.4	4.6
September	131.7		115.6		186.2		433.5		374.7	
Chng Sep(92)/Sep(91)		2.9		4.1		13.6		7.6		4.7
Chng Sep(91)/Sep(90)		-17.4		4.0		-4.2		-7.8		-9.1

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1991	385.1		116.14		28.75		31.73	
May	381.9	-5.4	118.43	5.0	28.04	-44.4	32.13	5.9
June	380.0		117.13		29.28		32.85	
July	378.0		130.83		36.69		31.73	
August	376.8	-5.7	125.71	40.3	30.85	73.4	32.22	-3.3
September	375.5 *		126.23 *		31.23 *		31.96 *	
October	375.8		126.85		31.87		31.78	
November	376.4	-0.2	127.43	-1.3	30.55	-21.1	31.56	-4.7
December	377.5		127.21		30.67		31.42	
January 1992	378.4		127.24		30.92		31.45	
February	379.6	3.3	128.07	2.9	31.14	3.0	31.63	0.9
March	380.9		128.95		31.72		31.89	
April	382.4		128.86		31.53		31.76	
May	384.1	4.7	129.45	3.8	31.97	6.9	31.95	3.3
June	385.6		129.57		31.85		32.04	
July	387.2		129.93		31.97		32.21	
August	388.5	4.8	130.51	3.4	32.42	6.5	32.43	6.2
September	390.1		130.68		32.48		32.55	
Chng Sep(92)/Sep(91)		3.9		3.4		4.0		1.8
Chng Sep(91)/Sep(90)		-4.0		-0.5		-9.3		-1.4

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1991	816.9		8.86		105.5		78.6	
May	811.7	-5.9	8.41	9.0	106.4	2.4	79.1	-0.2
June	807.1		8.55		107.3		79.6	
July	804.5		8.25		108.0		79.9	
August	802.6 *	-4.4	9.10	2.7	108.2	7.1	80.0	4.6
September	801.5		8.64 *		108.5 *		80.1 *	
October	802.2		8.55		109.0		80.3	
November	803.4	0.4	8.59	-1.1	109.5	4.6	80.4	2.0
December	805.2		8.78		109.9		80.5	
January 1992	807.8		8.72		110.1		80.5	
February	810.9	3.5	8.75	4.6	110.4	3.3	80.6	0.8
March	813.2		8.74		110.6		80.6	
April	816.5		8.69		110.7		80.4	
May	819.4	4.4	8.73	-0.3	111.0	2.2	80.5	-0.5
June	822.6		8.77		111.2		80.5	
July	825.8		8.85		111.6		80.6	
August	829.1	4.9	8.81	3.2	111.9	3.4	80.6	0.7
September	833.0		8.74		112.2		80.6	
Chng Sep(92)/Sep(91)		3.9		1.2		3.4		0.6
Chng Sep(91)/Sep(90)		-2.7		-0.5		-1.7		-5.3

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1991	135.3		121.1		115.6		135.7	
May	135.7	3.0	121.8	-3.2	116.1	-8.6	136.3	4.5
June	136.0		121.4		116.0		136.8	
July	136.3		121.1		116.0		136.9	
August	136.5	2.6	121.4	-0.3	116.4	1.0	137.3	3.0
September	136.8 *		121.6 *		116.2 *		137.7	
October	137.2		121.8		116.9		138.0	
November	137.5	2.9	122.1	2.6	117.1	3.1	138.4	3.2
December	137.9		122.5		117.3		138.7	
January 1992	138.3		122.8		117.5		139.1	
February	138.8	3.7	123.3	3.7	117.9	2.5	139.5	3.3
March	139.2		123.6		118.1		139.9	
April	139.8		124.2		118.5		140.4	
May	140.2	4.1	124.5	4.1	118.8	3.2	140.7	3.5
June	140.6		124.8		119.0		141.1	
July	141.2		125.4		119.3		141.6	
August	141.6	4.1	125.7	4.0	119.5	1.2	142.0	3.7
September	142.0		126.1		118.6		142.4	
Chng Sep(92)/Sep(91)		3.8		3.7		2.1		3.4
Chng Sep(91)/Sep(90)		4.6		3.2		-1.9		4.0

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1991	141.0		112.9		135.1		153.0		111.0	
May	141.5	3.5	113.0	0.8	135.4	0.8	153.7	4.7	111.1	0.8
June	141.6		113.1		135.8		153.8		111.5	
July	141.6		113.9		135.0		154.4		112.0	
August	142.1	2.0	113.9	3.5	135.4	-0.2	154.7	3.3	112.3	4.3
September	142.5 *		114.2 *		135.7 *		155.2 *		112.6 *	
October	142.8		114.4		136.0		155.6		112.8	
November	143.2	3.2	114.7	2.4	136.3	2.9	156.0	3.2	113.1	2.7
December	143.6		114.9		136.7		156.4		113.3	
January 1992	144.0		115.2		137.0		156.9		113.6	
February	144.4	3.5	115.5	2.9	137.4	3.1	157.4	3.6	113.8	2.7
March	144.8		115.8		137.7		157.9		114.1	
April	145.3		116.1		138.0		158.5		114.4	
May	145.7	3.7	116.3	2.9	138.4	2.9	159.0	4.1	114.6	2.8
June	146.1		116.6		138.7		159.5		114.9	
July	146.7		117.0		139.1		160.1		115.2	
August	147.1	3.8	117.1	2.9	139.5	3.3	160.6	4.2	115.5	2.9
September	147.6		117.4		139.9		161.2		115.7	
Chng Sep(92)/Sep(91)		3.6		2.8		3.1		3.9		2.8
Chng Sep(91)/Sep(90)		3.3		1.5		1.8		3.9		1.3

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 \$)		IVA (annual rate)
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj
April 1991	-4.51		141.8		5576		4109		4.3
May	-4.79	64.5	142.9	8.0	5611	4.0	4115	-0.5	5.2
June	-3.80		143.7		5650		4130		5.8
July	-5.90		145.3		5666		4139		2.1
August	-6.03 *	-238.6	145.3	7.8	5688	5.5	4142	2.4	-0.7
September	-5.84		145.9 *		5710		4146		-3.2
October	-6.02		145.1		5759		4172		-3.0
November	-6.28	-14.5	145.2	-0.3	5778	6.5	4175	3.2	-3.9
December	-6.08		146.0		5798		4179		-4.8
January 1992	-6.27		146.2		5823		4185		-5.6
February	-6.22	-3.5	146.9	3.8	5859	5.3	4200	1.9	-5.3
March	-6.05		147.2		5879		4202		-5.9
April	-5.73		147.6		5916		4215		-6.4
May	-5.81	32.6	148.2	3.8	5934	6.0	4216	2.3	-6.1
June	-5.27		148.7		5968		4229		-6.8
July	-5.21		149.2		6001		4238		-7.2
August	-5.53	18.9	149.8	4.4	6025	6.2	4243	2.4	-7.7
September	-5.21		150.3		6061		4255		-8.0
Chng Sep(92)/Sep(91)		10.8		3.0		6.1		2.6	
Chng Sep(91)/Sep(90)		35.7		1.7		3.3		3.1	

	Currency Index		Adjusted Profits		30 - Year Government Bonds		New York Composite	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1991	91.41		164.4		8.21		207.71	
May	92.29	45.9	165.7	-11.8	8.27	6.0	206.93	32.9
June	95.18		167.2		8.47		207.32	
July	95.19		166.9		8.45		208.29	
August	93.47	1.4	166.4	1.7	8.14	-6.4	213.17	7.8
September	91.18		165.9		7.95		212.34	
October	88.96 *		168.3		7.88 *		212.03 *	
November	86.43	-22.4	170.4	9.9	7.73	-18.5	212.58	5.6
December	87.28		172.5		7.71		217.83	
January 1992	87.92		172.9		7.75		218.77	
February	88.15	3.6	176.4	12.7	7.72	0.7	224.67	16.0
March	88.92		177.5		7.89		223.24	
April	89.46		178.7		7.98		223.56	
May	90.27	9.2	179.0	9.3	8.04	14.6	224.26	4.1
June	91.15		180.8		8.15		225.59	
July	92.27		182.8		8.22		228.90	
August	93.16	12.8	182.2	7.2	8.21	8.9	230.62	11.1
September	93.73		183.1		8.26		231.83	
Chng Sep(92)/Sep(91)		2.8		10.4		3.9		9.2
Chng Sep(91)/Sep(90)		1.8		3.0		0.4		22.0

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1991	333.5		842.1		3384.3		5.91		5.71	
May	335.6	4.3	851.6	7.5	3397.2	3.6	5.78	-12.8	5.61	-14.4
June	336.2		858.4		3402.1		5.90		5.75	
July	337.1		859.6		3391.9		5.82		5.70	
August	340.1	5.8	866.3	7.1	3391.9	4.9	5.66	-14.2	5.39	-15.2
September	342.3		870.3		3391.5		5.45		5.29	
October	345.1 *		876.9 *		3394.3 *		5.19 *		5.04 *	
November	345.9	7.8	878.6	6.6	3399.8	1.2	5.12	-32.8	4.96	-31.9
December	347.8		882.7		3412.5		5.02		4.88	
January 1992	349.3		886.5		3421.7		5.03		4.91	
February	350.7	5.2	890.4	5.2	3430.5	3.5	4.98	-6.6	4.85	-4.5
March	352.1		895.0		3442.1		5.06		4.95	
April	352.9		897.8		3455.6		5.08		4.98	
May	354.7	4.4	902.4	5.2	3472.4	4.9	5.12	6.2	5.05	10.7
June	356.0		906.0		3489.3		5.10		5.06	
July	357.5		910.2		3500.2		5.13		5.11	
August	358.1	4.5	911.4	4.8	3512.7	4.8	5.16	2.9	5.15	9.9
September	359.8		916.8		3526.1		5.12		5.19	
Chng Sep(92)/Sep(91)		5.1		5.3		4.0		-6.1		-1.9
Chng Sep(91)/Sep(90)		8.2		5.9		4.9		-30.3		-24.8

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
April 1991	8.86		7.02		6.07		6.06		9.00	
May	8.86	-3.8	6.95	-5.6	5.92	-15.6	5.91	-17.6	8.50	-7.5
June	9.01		7.13		6.11		6.07		8.50	
July	9.00		7.05		6.05		5.98		8.50	
August	8.75	-5.4	6.90	-6.5	5.72	-15.8	5.65	-19.3	8.50	-11.8
September	8.61		6.80		5.57		5.47		8.20	
October	8.53 *		6.71 *		5.34 *		5.51 *		8.00 *	
November	8.50	-10.3	6.68	-11.6	5.23	-33.8	5.33	-22.2	8.00	-17.7
December	8.62		6.73		5.07		5.22		8.00	
January 1992	8.65		6.76		5.09		5.23		8.00	
February	8.71	7.5	6.84	7.8	5.05	-10.6	5.17	-11.0	8.00	0.0
March	8.76		6.90		5.07		5.20		8.00	
April	8.84		6.93		5.14		5.22		8.00	
May	8.93	8.9	6.99	8.0	5.22	11.2	5.28	6.6	8.00	0.0
June	8.91		6.98		5.26		5.35		8.00	
July	8.94		7.04		5.31		5.41		8.00	
August	9.12	8.2	7.15	9.5	5.30	4.4	5.40	7.3	8.00	0.0
September	9.15		7.19		5.18		5.32		8.00	
Chng Sep(92)/Sep(91)		6.3		5.7		-7.0		-2.7		-2.4
Chng Sep(91)/Sep(90)		-2.5		-1.5		-25.3		-26.5		-15.0

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